

# Compendium of Budget Information for the 2014 General Session

## Business, Economic Development, and Labor Appropriations Subcommittee

**Agency: Labor Commission**

**Line Item: Uninsured Employers Fund**

### ***Function***

The Uninsured Employers Fund (UEF) was established in 1994 to provide benefits to injured workers whose employers (1) did not maintain the statutorily required workers compensation insurance and (2) otherwise cannot pay because of insolvency.

### ***Background***

The Legislature appropriated funds from the UEF to the Labor Commission to pay for expenses related to the UEF and operational expenses for the Industrial Accidents Division until FY 2011. At that time, appropriations to the Labor Commission from the UEF ended and the Industrial Accidents Restricted Account was established to fund the operational activities of the Adjudication and Industrial Accidents Division.

### ***Statutory Authority***

UCA 34A-2-704 creates and authorizes UEF. The law also outlines administrative duties for the fund.

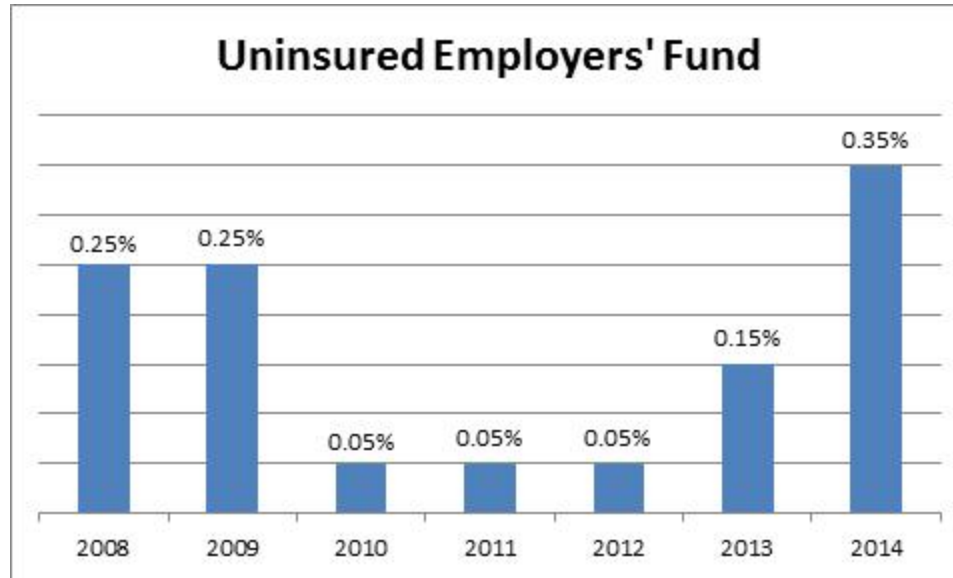
### ***Funding Detail***

Revenues come from (1) a surcharge on Workers' Compensation premium assessments collected by the State Tax Commission (2) an assessment to employers that are self-insured for workers compensation (3) penalties imposed against employers who fail to maintain workers compensation insurance, and (4) money collected is invested with the State Treasurer where interest is earned.

The Labor Commission works closely with actuaries and the Workers Compensation Advisory Council, made up equally of employer and employee representatives, to establish the assessment rate for the UEF. This surcharge is administered by calendar year.

For CY 2014 the council recommended a 0.2 percent increase to the rate, from 0.15 to 0.35 percent. This recommendation represents a 133 percent change from CY 2013. Additionally, this recommendation increases the total surcharge on workers' compensation insurance premiums from 3.8 percent to 4 percent and represents a 5.3 percent change from CY 2013.

A reason provided for the increased assessment is the consistently low interest rates resulting from a slow economy. The lower interest rates return a lower dollar amount in assessments and it was not expected that interest rates would remain at their current levels for a long period of time. As a result, interest earnings can no longer be expected to significantly reduce the deficit fund balance, and increase in collections from the surcharge are required.



Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Dedicated Credits Revenue	\$2,178,900	\$2,300,900	(\$139,900)	\$2,161,000	\$0	\$2,161,000
Interest Income	\$130,400	\$140,000	\$10,000	\$150,000	\$0	\$150,000
Dedicated Credits - Investments	(\$12,500)	\$0	\$0	\$0	\$0	\$0
Premium Tax Collections	\$309,200	\$210,000	\$100,000	\$310,000	\$0	\$310,000
Premium Tax Payments	\$25,000	\$0	\$25,000	\$25,000	\$0	\$25,000
Change in Claim Reserves	(\$1,591,500)	(\$1,221,400)	\$221,400	(\$1,000,000)	\$0	(\$1,000,000)
Transfers	\$0	\$0	\$0	\$0	\$0	\$0
Beginning Fund Balance	\$6,588,800	\$4,205,700	\$1,417,100	\$5,622,800	(\$609,100)	\$5,013,700

Ending Fund Balance	(\$5,622,800)	(\$1,822,000)	(\$3,191,700)	(\$5,013,700)	\$611,300	(\$4,402,400)
Total	\$2,005,500	\$3,813,200	(\$1,558,100)	\$2,255,100	\$2,200	\$2,257,300

Programs	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Uninsured Employers Fund	\$2,005,500	\$3,813,200	(\$1,558,100)	\$2,255,100	\$2,200	\$2,257,300
Total	\$2,005,500	\$3,813,200	(\$1,558,100)	\$2,255,100	\$2,200	\$2,257,300

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Personnel Services	\$3,900	\$0	\$60,000	\$60,000	\$0	\$60,000
In-state Travel	\$1,200	\$0	\$1,200	\$1,200	\$0	\$1,200
Current Expense	\$400,600	\$432,900	\$983,500	\$1,416,400	\$2,200	\$1,418,600
DP Current Expense	\$2,500	\$4,000	(\$1,500)	\$2,500	\$0	\$2,500
Other Charges/Pass Thru	\$1,597,300	\$3,376,300	(\$2,601,300)	\$775,000	\$0	\$775,000
Transfers	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$2,005,500	\$3,813,200	(\$1,558,100)	\$2,255,100	\$2,200	\$2,257,300

Other Indicators	2013 Actual	2014 Approp	2014 Change	2014 Authorized	2015 Change	2015 Base
Actual FTE	0	0	0	0	0	0
Change in Fund Balance	(966,000)	(2,383,700)	1,774,600	(609,100)	(2,200)	(611,300)

COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.